# Annex A TITLE 52. PUBLIC UTILITIES PART I. PUBLIC UTILITY COMMISSION Subpart C. FIXED SERVICE UTILITIES CHAPTER 65. WATER SERVICE

#### Subchap.

#### A. SERVICE GENERALLY

#### B. LEAD SERVICE LINE REPLACEMENTS

# **Subchapter A. SERVICE GENERALLY**

#### Sec.

- 65.1. Definitions.
- 65.2. Accidents.
- 65.3. Complaints.
- 65.4. Records.
- 65.5. Interruptions of service.
- 65.6. Pressures.
- 65.7. Metered service.
- 65.8. Meters.
- 65.9. Adjustment of bills for meter error.
- 65.10. Disputed bills.
- 65.11. Mandatory conservation measures.
- 65.12. Notice of desire to have service discontinued.
- 65.13. Temporary service.
- 65.14. Measurement.
- 65.15. Refusal to serve applicants.
- 65.16. System of accounts.
- 65.17. Standards of design.
- 65.18. Standards of construction.
- 65.19. Filing of annual financial reports.
- 65.20. Water conservation measures—statement of policy.
- 65.21. Duty of public utility to make line extensions.
- 65.22. Customer advance financing, refunds and facilities on private property.
- 65.23. Special utility service.

# **Subchapter B. LEAD SERVICE LINE REPLACEMENTS**

#### Sec.

- 65.51. Purpose.
- 65.52. Definitions.
- 65.53. Time to replace LSLs.

- 65.54. Petitioning the Commission for a LSLR Program.
- 65.55. LSLR Program requirements.
- 65.56. LSLR Plan requirements.
- 65.57. Periodic review of LSLR Plan.
- 65.58. Pro forma tariff or tariff supplement requirements.
- 65.59. LSLR Program Reports.
- 65.60. Accounting and financial.
- 65.61. Preexisting LSLR activities.
- 65.62. Prohibition on partial LSLRs.

## § 65.51. Purpose.

The purpose of this subchapter is to implement 66 Pa.C.S. § 1311(b) (relating to valuation of and return on the property of a public utility) governing the standard under which [jurisdictional water utilities] an entity may seek to replace LSLs and recover associated costs. This subchapter establishes the time, manner, form and content of filings for Commission approval of LSLRs. This subchapter also sets forth the minimum requirements [of] for LSLRs.

#### § 65.52. Definitions.

The following words and terms, when used in this subchapter, have the following meanings, unless the context clearly indicates otherwise:

AAO plan—Annual asset optimization plan—The term as defined in § 121.2 (relating to definitions).

# <u>Customer—A party contracting with an entity for service.</u>

Customer-owned [lead service line] <u>LSL—Customer-owned lead service line—</u>The portion of the lead service line extending from the curb, property line or entity connection to an entity's water meter or, if the entity's meter is located outside of the structure or water is not metered by the entity, at the first shutoff valve located within <u>the interior of</u> the structure.

DSIC—Distribution system improvement charge—The term as defined in § 121.2.

Entity—A public utility as defined in 66 Pa.C.S. § 102 (relating to definitions) [that provides] engaged in diverting, developing, pumping, impounding, distributing or furnishing water service to or for the public for compensation, a municipal corporation as defined in [66 Pa.C.S. § 102 (relating to definitions) that provides water service beyond its corporate limits] § 65.52 (relating to definitions), and an authority as defined in 66 Pa.C.S. § 3201(1) (relating to definitions).

<u>Galvanized service line</u>—iron or steel piping that has been dipped in zinc to prevent corrosion and rusting.

LSL—Lead service line—A service line made of lead that connects the water main to a building inlet and a lead pigtail, gooseneck or other fitting that is connected to the lead line. A galvanized service line is considered a lead service line if it ever was or is currently downstream of any lead service line or service line of unknown material.

*LSLR*—*Lead service line replacement*—A service line, whether entity-owned or customer-owned, installed to replace a lead service line.

LSLR Plan—Lead service line replacement plan—A plan and supporting documents submitted to and approved by the Commission that specify how an entity intends to implement its lead service line replacement program.

LSLR Program—Lead service line replacement program—A program submitted to and approved by the Commission for the replacement of lead service lines by an entity.

LSLR Program Report—Lead service line replacement program report—The annual report, including a plan and supporting documents, providing information for lead service line replacements completed by an entity under its lead service line replacement program.

LSLR Project—Lead service line replacement project—An entity-scheduled lead service line replacement activity either in conjunction with main replacements or as part of a lead service line replacement program.

LSLR Project Area—Lead service line <u>replacement</u> project area—The area <u>encompassing an entity's scheduled lead service line replacement activities, which includes the area</u> [served by an entity located] within a 1-mile radius of a lead service line replacement project <u>if served by the entity</u>.

<u>LSLR Project Commencement</u>—Installation of the first lead service line replacement within a lead service line replacement project area.

LTIIP—Long-term infrastructure improvement plan—The term as defined in § 121.2.

Municipal corporation—The term as defined in 66 Pa.C.S. § 102 (relating to definitions) engaged in diverting, developing, pumping, impounding, distributing or furnishing water service to or for the public for compensation beyond its corporate limits as referenced in 66 Pa. C.S. § 1501 (relating to character of service and facilities).

Partial LSLR—Partial lead service line replacement—A lead service line replacement that does not replace both the entity-owned and customer-owned portions of a lead service line.

Service line—The pipe and appurtenances which connect any main to an entity's water meter or, if the entity's water meter is located outside of the structure or the connection is not metered by the entity, at the first shutoff valve located within the interior of the structure.

Service Line Inventory—The process of identifying each service <u>line under the timing</u> and direction of United States Environmental Protection Agency regulation at 40 CFR § 141.1 - 143.20 as enforced by the Pennsylvania Department of Environmental Protection, inclusive of future changes as those regulations may be amended [line's material, composition, diameter and location].

Water distribution system—The equipment and facilities owned or operated by an entity for diverting, developing, pumping, impounding, distributing or furnishing water to or for the public for compensation.

# § 65.53. Time to replace LSLs.

- (a) An entity, other than a municipal corporation, shall remove and replace all LSLs, whether entity-owned or customer-owned, within or connected to its water distribution systems within 25 years from the effective date of this section for a Class A public utility or authority, and within 30 years from the effective date of this section for a Class B public utility or Class C public utility.
- (b) A municipal corporation [providing water service beyond its corporate limits] shall remove and replace all LSLs, within or connected to its <u>water</u> distribution systems, beyond its corporate limits, whether municipal corporation-owned or customer-owned, within 30 years from the effective date of this section.

# § 65.54. Petitioning the Commission for a LSLR Program.

(a) An entity shall file a LSLR Program petition in accordance with § 65.55(a) (relating to LSLR Program requirements) with the Commission's Secretary's Bureau with copies served upon the Bureau of Investigation and Enforcement, the Office of Consumer Advocate, the Office of Small Business Advocate, and the parties of record in the entity's most recent base rate case. Service is evidenced by a certificate of service filed with the LSLR Program petition.

- (b) An entity that has a Commission-approved LTIIP shall include with its LSLR Program petition a modified LTIIP containing a LSLR Plan as a separate and distinct component of the entity's LTIIP.
- (c) An entity that does not have a Commission-approved LTIIP when filing its LSLR Program petition shall include a LSLR Plan meeting the requirements of § 121.3 (relating to LTIIP).

## § 65.55. LSLR Program requirements.

A LSLR Program must comply with the following:

- (a) A Class A public utility or authority shall file a LSLR Program within 1 year of the effective date of this section. A Class B public utility, Class C public utility, or municipal corporation shall file a LSLR Program within 2 years of the effective date of this section. An entity that received prior Commission approval to perform LSLR activities shall comply with § 65.61 (relating to preexisting LSLR activities).
- (b) An entity's LSLR Program must include:
  - (1) A LSLR Plan as described in § 65.56 (relating to LSLR Plan requirements).
  - (2) A pro forma tariff or tariff supplement containing the proposed changes necessary to implement the entity's LSLR Program as described in § 65.58 (relating to pro forma tariff or tariff supplement requirements).
  - (3) Information required by the Commission for filings under 66 Pa.C.S. § 1308 (relating to voluntary changes in rates), including statements required by § 53.52(a) (relating to applicability; public utilities other than canal, turnpike, tunnel, bridge and wharf companies).
- (c) A final Commission Order approving an entity's LSLR Program will direct the entity to make any necessary revisions to the pro forma tariff or tariff supplement and resubmit the tariff or tariff supplement under 66 Pa.C.S. § 1308.
- (d) After initial Commission approval of an entity's LSLR Program, the LSLR Program [must] <u>may</u> be subject to review in all future base rate cases. An entity shall submit any modification to the LSLR Program for review with its base rate case.

# § 65.56. LSLR Plan requirements.

An entity's LSLR Plan must contain, at a minimum:

- (a) Service Line Inventory.
  - (1) Entities subject to this Chapter shall submit to the Commission a Service Line Inventory that complies with United States Environmental Protection Agency regulation at 40 CFR § 141.1 143.20 as enforced by the Pennsylvania Department of Environmental Protection, inclusive of future changes as those regulations may be amended. [A Class A public utility or authority shall complete a Service Line Inventory within 60 months of the filing date of the public utility or authority's LSLR Program. A Class B public utility or Class C public utility shall complete a Service Line Inventory within 36 months of the filing date of the public utility's LSLR Program.]
  - [(2) A municipal corporation providing water service beyond its corporate limits shall complete a Service Line Inventory beyond its corporate limits within 60 months of the filing date of the municipal corporation's LSLR Program.
  - (3)] (2) An entity completing an acquisition of a water distribution system shall provide to the Commission [complete] a Service Line Inventory for [of] the acquired system [within 36 months of the date of the acquisition] or as part of the entity's Service Line Inventory under § 65.56(a)(1), whichever is later. An entity may rely on a previously completed Service Line Inventory for an acquired system if the entity updates the Service Line Inventory to meet the requirements of § 65.56(a)(3).
  - [(4)] (3) An entity's Service Line Inventory must comply with the timing and direction of United States Environmental Protection Agency regulation at 40 CFR § 141.1 143.20 as enforced by the Pennsylvania Department of Environmental Protection, inclusive of future changes as those regulations may be amended.
  - [(i) Identify the material type of all entity-owned and customer-owned service lines within and connected to the entity's <u>water</u> distribution [system] <u>systems</u>.
  - (ii) Be [grouped] <u>organized</u> by material type and diameter.
  - (iii) Detail any known or discovered lead components.
  - (iv) Include the entity's projection of the annual number of service lines to be inventoried and the means by which the entity will identify material types. An entity may utilize several methods to properly identify material types.]
  - (4) An entity shall identify assumptions in its Service Line Inventory to the Commission.

- (5) Until [inventorying] the inventory is complete, an entity shall provide detailed information regarding the progress of its Service Line Inventory as part of its annual LSLR Program Report under § 65.59 (relating to LSLR Program Reports).
- (6) After an entity's Service Line Inventory is complete, it must be incorporated into the entity's next LSLR Plan update under § 65.57 (relating to periodic review of LSLR Plan).
- (b) *Planning and replacements*. The Planning and Replacements section of an entity's LSLR Plan must include:
  - (1) The entity's projected annual investment in LSLRs with an explanation of the entity's anticipated sources of financing.
  - (2) The entity's projected number of LSLRs per calendar year with an explanation of how the entity's projection was determined and a statement that this number is consistent with the entity's annual cap on LSLRs.
  - (3) The prioritization criteria considered by the entity when developing its LSLR schedule.
  - (4) An explanation of the entity's processes and procedures to address emergency repairs or replacements which reveal LSLs.
  - (5) The entity's processes and procedures to obtain [customer] acceptance of a LSLR prior to [commencement of a LSLR Project.] <u>LSLR Project Commencement if the customer is the property owner, and the entity's processes and procedures to obtain acceptance prior to LSLR Project Commencement if the customer is not the property owner.</u>
  - (6) The entity's processes and procedures based upon [a customer's] acceptance of a LSLR, including:
    - (i) A consent agreement form by which the customer or property owner, if the customer is not the property owner, will authorize [the completion of] the LSLR.
    - (ii) A brief description of the entity's process for LSLRs under normal conditions and under atypical conditions.
    - (iii) An explanation of the entity's process for coordination with the customer, and property owner, if the customer is not the property owner, and the information the entity will provide to the customer and the property owner throughout the LSLR process.

- (iv) The entity's process for addressing LSLR completion or closeout, or both, with [customers] the customer and property owner, if the customer is not the property owner.
- (7) The entity's lead/material recycling and disposal efforts, including a description of what the entity will do with proceeds from recycling and disposal efforts.
- (8) The industry-accepted practices that the entity plans to utilize to replace entity-owned and customer-owned LSLs.
- (9) A detailed explanation of how the entity's acquisition of water distribution systems will be integrated into the entity's efforts to complete LSLRs throughout its water distribution [system and;] systems.
- (10) The procedure for documenting [a customer's] refusal of, or failure to accept, the offer by the entity to replace a LSL, including the entity's duty to:
  - (i) Provide [to] the customer <u>and property owner</u>, if the customer is not the <u>property owner</u>, with a complete disclosure of the known health hazards from the continued use of a LSL.
  - (ii) Inform the customer or property owner, if the customer is not the property owner, that refusal or failure to accept will require [the customer to replace] replacement of the customer-owned LSL, at the [customer's] customer or property owner's expense, within 1 year [of commencement of an entity's LSLR Project within a LSLR Project Area] from LSLR Project Commencement in order for the customer or property owner, if the customer is not the property owner, to be eligible for reimbursement.
  - (iii) Communicate to the customer <u>and property owner</u>, if the customer is not the <u>property owner</u>, that failure to allow the entity to complete the LSLR or to replace the customer-owned LSL concurrent with the entity replacing the entity-owned LSL will lead to termination of water service under the provisions of the entity's tariff.
- (c) Communications, outreach[,] and education. An entity subject to this Chapter shall demonstrate compliance with United States Environmental Protection Agency regulations at 40 C.F.R. § 141.85, inclusive of future changes as those regulations may be amended. ['s LSLR Plan must outline the entity's communication, outreach and education steps to educate customers and about the harmful effects of lead and the entity's plan to address LSLRs.]

- (1) [An entity's LSLR Plan must describe, at a minimum, how the entity will:
- (i) Prioritize LSLR efforts to target sensitive populations as defined by the Environmental Protection Agency or Pennsylvania Department of Environmental Protection, areas with elevated levels of lead in tap water, areas with high concentrations of LSLs and areas of the entity's distribution system which have elevated corrosion rates.
- (ii) Establish or participate in, or both, voluntary lead advisory committees, either individually or on an industry-wide basis.
- (iii) Coordinate LSLR Program efforts with State, county and local governments and agencies, community organizations and public works departments.
- (iv) Ensure that relevant information will be provided to all bill-paying customers and persons that receive drinking water from the entity, in plain language that can be understood by the general public, including:
- (A) An explanation of the health effects of lead in accordance with the language established by the Environmental Protection Agency under 40 CFR 141.85(a)(1)(ii) (relating to public education and supplemental monitoring requirements).
- (B) A notice explaining sources of lead, following the language established by the Environmental Protection Agency under 40 CFR 141.85(a)(1)(iii).
- (C) A description of steps the consumer may take to reduce lead exposure, following the language established by the Environmental Protection Agency under 40 CFR 141.85(a)(1)(iv).
  - (v) Provide customers with copies of as-built drawings or similar depictions that indicate the location of the LSLR on the property between the customer's structure and the curb stop. An entity shall make a good faith effort to provide customers relevant documents associated with the LSLR.
- (2)] The entity's LSLR Plan must include copies of all printed and broadcast material to be distributed under the entity's LSLR Program.
- [(3)] (2) A Class A public utility or an authority shall develop a LSLR section of [the public utility or authority's] its web site within 12 months of Commission approval of its LSLR Program. The web site must contain, at a minimum:
  - (i) An online tool describing the replacement schedule by geographic location, at least 6 months into the future.

- (ii) Information regarding the reimbursement requirements and a secure online tool that provides customers or property owners, if the customer is not the property owner, the ability to determine whether [they] the customer or property owner may be eligible for a reimbursement.
- (iii) [A secure online map ] <u>Information</u> that provides [customers] the ability to determine whether [records reflect that the] <u>a property</u> [has] <u>may have</u> a LSL, delineating the known or reasonably anticipated material types for the [utility] <u>entity</u>-owned and customer-owned portions of the service line <u>and a method to request assistance to determine if a service line is a LSL</u>.
- (iv) Information and resources relating to health risks associated with lead and LSLs, the status of current efforts to replace LSLs[,] <u>and</u> community [meeting] <u>meetings</u> and advisory committees <u>hosted by the entity</u>.

# § 65.57. Periodic review of LSLR Plan.

After initial Commission-approval of an entity's LSLR Plan, the entity shall update the LSLR Plan for Commission review at least once every 5 years. The Commission will, to the extent possible, coordinate the review of the updated LSLR Plan with the periodic review of an entity's LTIIP under § 121.7 (relating to periodic review of an LTIIP).

- (a) The Commission's review will determine:
  - (1) If the entity has adhered to its LSLR Plan[;].
  - (2) If changes to the entity's LSLR Plan are necessary to maintain and improve the efficiency, safety, adequacy and reliability of its LSLR Program[; and].
  - (3) If the updated LSLR Plan is consistent with the parameters of the entity's LSLR Program.
  - (4) If the LSLR Plan has been satisfied.
  - (5) If the entity has demonstrated the absence of LSLs through its Service Line Inventory.
  - (6) If the entity should be released from LSLR Plan requirements.
- (b) Service of the updated LSLR Plan must be made consistent with the requirements of § 65.54(a) (relating to petitioning the Commission for a LSLR Program). The Commission will issue a Secretarial Letter establishing a schedule for the submission of comments and reply comments to aid in its periodic review. If the Commission

determines that the entity's approved LSLR Plan is no longer sufficient to ensure and maintain efficient, safe, adequate, reliable and reasonable service, the Commission will direct the entity to revise, update or resubmit its LSLR Plan as appropriate.

# § 65.58. Pro forma tariff or tariff supplement requirements.

An entity's pro forma tariff or tariff supplement containing proposed changes necessary to implement the entity's LSLR Program must address, at a minimum:

- (a) LSLR Program annual cap.
  - [(1)] An entity's pro forma tariff or tariff supplement must include a cap on the [maximum] number of customer-owned LSLs that can be replaced annually.
- (b) Service line demarcation.
  - (1) An entity's pro forma tariff or tariff supplement must include a definition for customer-owned [lead service line] <u>LSL</u> for purposes of the entity's <u>LSLR Program</u> that is consistent with § 65.52 (relating to definitions).
  - (2) An entity may specify in its tariff or tariff supplement that, if a shutoff valve is not located along a specific length of pipe within a structure, the entity may install a shutoff valve to serve as a point of demarcation between the property's service line and the property's interior water distribution piping.
  - (3) An entity shall [use the LSLR process to] perfect [the entity's] <u>its</u> ownership of the portion of the service line located within the then-existing right-of-way <u>in</u> <u>conformance with its Commission-approved tariff</u> to ensure that the entity can obtain necessary permits <u>during the planning phase of a LSLR Project</u>.
- (c) *Partial LSLRs*. An entity shall specify as follows in its pro forma tariff or tariff supplement:
  - (1) Neither a [property owner] customer nor a [bill paying customer] <u>property owner</u> may install a partial LSLR. A partial LSLR must result in termination of service until such time as the entity can replace the entity-owned LSL under § 65.62 (relating to prohibition on partial LSLRs).
  - (2) Where a customer <u>or a property owner</u>, if the customer is not the property owner, elects to replace the customer-owned LSL, the customer <u>or property owner</u> shall replace the customer-owned LSL concurrent with the entity replacing the entity-owned LSL, subject to the following:

- (i) For a Class A public utility or an authority, the customer <u>or property owner</u>, if <u>the customer is not the property owner</u>, shall provide the public utility or authority at least 90 days' notice prior to replacing the customer-owned LSL.
- (ii) For a Class B or Class C public utility or a municipal corporation, the customer or property owner, if the customer is not the property owner, shall provide the public utility or municipal corporation at least 180 days' notice prior to replacing the customer-owned LSLs.
- (3) An entity may establish a process to address replacement of a customer-owned LSL to avoid termination of service when a property owner who is not the customer is nonresponsive to an entity's offer to replace a customer-owned LSL.
- [(3)] (4) [Applicants] An entity shall not connect an applicant for water service to the entity-owned service line at a property where a customer or property owner, if the customer is not the property owner, previously refused or failed to accept an entity's offer of a LSLR [may not be permitted to connect to the entity-owned service line] until the applicant verifies the replacement of the customer-owned LSL by providing a paid invoice from a licensed contractor [licensed to perform LSLR work in the Commonwealth] where applicable or a verified statement from [the] a licensed contractor attesting to completion of the LSLR.
- (d) *Reimbursements*. An entity shall provide a reimbursement to an eligible customer <u>or property owner</u>, if the customer is not the property owner, who replaced their LSL within 1 year [of commencement of an entity's LSLR Project within a LSLR Project Area] before or from LSLR Project Commencement.
  - (1) An entity's pro forma tariff or tariff supplement must include language explaining its reimbursement terms and conditions which shall contain, at a minimum:
    - (i) An explanation of the entity's method for determining the amount of reimbursement, including any restrictions on reimbursements.
    - (ii) An explanation of the entity's reimbursement methods, including the forms of payment to be used by the entity to distribute reimbursements and the length of time by which the utility will issue a reimbursement for an eligible reimbursement request.
    - (iii) An explanation of the entity's method for determining [customer] eligibility, providing that:

- (A) [Customers] A customer or property owner, if the customer is not the property owner, located within a LSLR Project Area [are] is eligible for a reimbursement of LSLR expenses up to 125% of the average cost the entity would have incurred to perform the replacement of a similarly-sized service line, not to exceed the [customer's] actual cost.
- (B) [Customers] A customer or property owner, if the customer is not the property owner, shall submit to the entity[,] a detailed estimate and paid invoice from a <u>licensed</u> contractor [licensed to perform LSLR work in the Commonwealth] where applicable, verifying the replacement of the customer-owned LSL. Instead of a detailed estimate, a verified statement from the contractor attesting to completion of a LSLR may be sufficient.
- (2) Notwithstanding the LSLR Program annual cap in § 65.58(a), an entity shall provide a reimbursement to an eligible customer or property owner, if the customer is not the property owner, within the length of established pursuant to § 65.58(d)(1)(ii). If the [value of reimbursements] reimbursement would cause the entity to exceed its current annual [budgeted] cap [on the number of LSLRs,] under § 65.58(a), the [entity's] entity must increase its current annual [budgeted] cap by the amount of the reimbursement and decrease its next annual cap [for LSLRs for the following year must be reduced] by this amount.
- (3) An entity shall make reasonable best efforts to assist [customers] <u>a customer or property owner</u>, if the customer is not the property owner, through the reimbursement process and, to the extent possible, make determinations in favor of the customer <u>or property owner</u> where the customer <u>or property owner</u> has provided reasonable evidence of a LSLR to the entity.
- (e) *Warranty*. An entity's pro forma tariff or tariff supplement must provide a warranty on LSLR work performed by the entity or its contractor of a term of not less than 2 years. The entity's warranty provisions must:
  - (1) Define the start date of the 2-year term.
  - (2) Ensure that the materials and workmanship of the replacement and restoration of surfaces are covered.
  - (3) Define the maximum coverage amounts under the warranty.
  - (4) Explain any liability an entity will have for damages not covered by the warranty.
  - (5) Ensure entity access to the property to correct any deficiencies.

#### § 65.59. LSLR Program Reports.

- (a) An entity with an approved LSLR Program shall file with the Commission a LSLR Program Report by March 1 of each year, in both print and electronic formats, including supporting spreadsheets. If an entity is implementing its LSLR Plan as part of a Commission-approved LTIIP, the entity shall include a LSLR Program Report as part of the entity's AAO plan under § 121.6[(b)(3)] (relating to AAO plan filings).
- (b) An entity's LSLR Program Report must identify the preceding year's activities, including:
  - (1) The number of LSLs replaced in the preceding year by [county] water system.
  - (2) The length of LSLs removed, by pipe diameter, in each [county] water system.
  - (3) The length, pipe diameters and material types of LSLRs by [county] water system.
  - (4) The actual cost of each LSLR by [county] water system.
  - (5) The average cost of a LSLR by [county] <u>water system</u>.
  - (6) The total annual LSLR expenditures for the calendar year by customer class.
  - (7) The total projected LSLR expenditures for the following calendar year.
  - (8) The entity's outreach and coordination activities with other utilities, the Department of Transportation, local governments and customers.
  - (9) The number [and geographic location] of LSLR [customer] refusals for the calendar year, including municipality and reason for refusal.
  - (10) Applicable lead monitoring requirements established by the Department of Environmental Protection for each of the entity's water distribution systems.
  - (11) The entity's compliance with the regulatory requirements established by the United States Environmental Protection Agency and the Department of Environmental Protection, including a description of any violations thereof associated with lead.

- (12) The current status of the entity's Service Line Inventory efforts, including the known material types and pipe diameters of [customer] <u>entity-owned</u> and <u>customer-owned</u> service lines.
- (13) The entity's efforts to obtain grants, low interest loans and donations for LSLRs.

#### § 65.60. Accounting and financial.

- (a) An entity shall record LSLR costs in compliance with the National Association of Regulatory Utility Commissioners uniform system of accounts applicable to the entity [as intangible assets]. LSLR costs recorded as assets shall be maintained under separate and distinct subaccounts.
- (b) [An] For subaccounting purposes, an entity may defer[:
  - (1) Income] <u>income</u> taxes related to no cost and low-cost sources of funding for LSLRs, including applicable income taxes on contributions-in-aid-of-construction and/or below-market rate loans, <u>service line inventory</u>, <u>LSLR Program development</u>, <u>LSLR Plan</u>, <u>LSLR Program Report</u>, and <u>reimbursement expenses</u>, [for accounting purposes] to the extent that such costs are not recovered through the entity's existing base rates or DSIC. [Prudent and reasonable deferred income taxes must be amortized over a reasonable period of time with a return on the entity's investment.
  - (2) Service line inventory, LSLR program development, LSLR Plan, LSLR Program Report, and reimbursement expenses for accounting purposes to the extent that such costs are not recovered through the entity's existing base rates. Prudent and reasonable deferred expenses must be amortized over a reasonable period of time without a return on the entity's investment, unless the Commission, under 66 Pa.C.S. § 523 (relating to performance factor consideration), finds that providing a return on the entity's investment is warranted based on sufficient supporting data submitted by the entity in its rate case filing.]

# § 65.61. Preexisting LSLR activities.

An entity that received prior Commission approval to perform LSLR activities shall submit for Commission approval and file pursuant to § 65.55(b) a LSLR Program that, at a minimum, conforms with the requirements of this subchapter [and takes effect] no later than the effective date of the rates established under the entity's next base rate case <u>filed</u> following the effective date of this section or within 2 years of the effective date of this section, whichever comes first.

## § 65.62. Prohibition on partial LSLRs.

The following provisions must apply after the effective date of this section:

- (a) Where a customer <u>or property owner</u>, if the customer is not the property owner, elects to replace a customer-owned LSL, an entity shall replace the connected entity-owned LSL concurrent with [the customer's] replacement of the customer-owned LSL, subject to the following:
  - (1) A Class A public utility or authority shall replace the entity-owned LSL concurrent with replacement of the customer-owned LSL within 90 days of the date of [the customer's] a request, or on the LSLR date specified, by the customer or property owner, if the customer is not the property owner, whichever is later.
  - (2) A Class B or Class C public utility or a municipal corporation shall replace the entity-owned LSL concurrent with replacement of the customer-owned LSL within 180 days of the date of [the customer's] a request, or on the LSLR date specified, by the customer, or property owner, if the customer is not the property owner, whichever is later.
- (b) An entity may not install, or cause to be installed, a partial LSLR and may not furnish water service using a partial LSLR that is installed <u>after the effective date of this section</u> by a customer <u>or property owner, if the customer is not the property owner.</u> [after the effective date of this section.]
- (c) [If] Where a customer or property owner, if the customer is not the property owner, refuses, or fails to accept, an entity's offer to replace a customer-owned LSL, the entity shall replace the entity-owned portion of the LSL in accordance with the entity's LSLR Plan and terminate service in accordance with the entity's tariff.
- (d) Where an entity has reasonable evidence indicating [that a customer is being served] service [by] is being provided using a partial LSLR installed after the effective date of this section by [the] a customer or property owner, if the customer is not the property owner, [after the effective date of this section,] the entity shall terminate service [to the customer] in accordance with the entity's tariff, unless otherwise directed by the Commission.
- (e) An entity shall install, or cause to be installed, entity-owned and customer-owned LSLRs even where an entity is under a Department of Environmental Protection directive to replace LSLs due to a water system's action level exceedance [of 0.015 mg/L] as [defined in 25 Pa. Code § 109.1103 (relating to monitoring requirements).] identified in 25 Pa. Code Chapter 109, Subchapter K (relating to lead and copper).